

HOUSE BILL 1006

By Curtiss

AN ACT to amend Tennessee Code Annotated, Title 62,
Chapter 37 and Title 62, Chapter 6, relative to
contractors.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 62, Chapter 37, is amended by deleting that chapter in its entirety.

SECTION 2. Tennessee Code Annotated, Title 62, Chapter 6, is amended by inserting the following as a new, appropriately designated part thereto:

62-6-501. As used in this part, unless the context otherwise requires:

(1) "Actual loss" means amounts paid or payable for the cost of restoration, repair, replacement, or completion of work performed in a poor or unworkmanlike manner or which is otherwise inadequate or incomplete;

(2) "Board" means the state board for licensing contractors;

(3) "Claimant" means an owner who:

(A)

(i) Resides in a residence or dwelling unit with respect to which a claim is made; or

(ii) Owns not more than four (4) residences or dwelling units; and

(B) Makes a claim against the bond;

(4) "Commissioner" means the commissioner of commerce and insurance or the commissioner's designee;

(5) "Home improvement contractor" means any person, other than a bona fide employee of the owner, who undertakes or offers to undertake or agrees to perform any

home improvement for the owner, whether or not such person is licensed or subject to the licensing requirements of this chapter;

(6)

(A) "Home improvement" means the repair, replacement, remodeling, alteration, conversion, modernization, improvement, or addition to any land or building, or that portion thereof which is used or designed to be used as a residence or dwelling unit for one (1), two (2), three (3), or four (4) dwelling units, and includes the construction, replacement, or improvement of driveways, swimming pools, porches, garages, landscaping, fences, fall-out shelters, roofing, painting and other improvements to structures or upon land which is adjacent to a dwelling house for one (1), two (2), three (3), or four (4) dwelling units. Without regard to the extent of affixation, "home improvement" includes the installation of central heating or air-conditioning systems, storm windows or awnings;

(B) "Home improvement" does not include:

(i) The construction of a new home building or work done by a contractor in compliance with a guarantee of completion of a new building project;

(ii) Any home improvement for which the contract price is three thousand dollars (\$3,000) or less;

(iii) The sale of goods or materials by a seller who neither arranges to perform nor performs directly or indirectly any work or labor in connection with the installation of or application of the goods or materials, including the incidental installation thereof; provided, that the installation

does not involve alterations to the structure of the building or its plumbing or wiring;

(iv) Any replacement, installation, or connection of appliances to existing exposed plumbing lines that requires alteration of the existing lines;

(v) The replacement, installation, and connection of dishwashers, disposals, and refrigerators with icemakers to existing exposed household plumbing lines, or dryers; or

(vi) Interior design services which are services in connection with the design, utilization, furnishing, or fabrication of elements in interior spaces of buildings and related structures and includes, without being limited to, any or all of the following:

(a) Identifying, researching or creatively solving problems pertaining to the function and quality of interior space;

(b) Performing services to include consultations, programming, design analysis, drawings, specifications, and installations in connection with space utilization, the specification of fixtures and their location, furnishings, reflected ceiling plans, and the fabrication of nonstructural elements of interior spaces of buildings, excluding those services specified by law to require other licensed professionals, such as the design of mechanical, plumbing, electrical and load-bearing structural systems; and

(c) Preparing drawings and documents relative to the design of interior spaces;

(7) "Home improvement contract" means an agreement between a contractor and an owner for the performance of home improvement, and includes all labor, services and materials to be furnished and performed thereunder;

(8) "Licensee" means a person licensed to engage in the home improvement business under the provisions of this part;

(9) "Owner" means any homeowner, tenant, or any other person who orders, contracts for or purchases the home improvement services of a contractor, or the person entitled to the performance of the work of a contractor pursuant to a home improvement contract;

(10) "Person" includes an individual, partnership, corporation, trust, association, owner, contractor, salesperson or any other legal entity; and

(11) "Subcontractor" means any person other than a materialman or laborer who enters into a contract with a contractor for the performance of any part of the contractor's contract, or who enters into a contract with any subcontractor for the performance of any part of the subcontractor's contract, and who does not perform work other than as a subcontractor.

62-6-502.

(a) No person may engage in or transact any home improvement business, or represent such person to the public as doing home improvement business, or offer to transact any home improvement business in this state, except in compliance with the applicable provisions of this part. No such person, whether subject to licensing by any law or otherwise, may engage in this state in any trade practice or other act which is prohibited by any provisions of this part; and every person who willfully participates in a prohibited act or violation with knowledge of the same is subject to the criminal penalty therefore. The provisions of this part may not be waived by agreement.

(b)

(1) No person shall maintain, own, operate or transact a home improvement business unless a license is first obtained as hereinafter prescribed.

(2) An applicant for a home improvement contractor's license must establish that the applicant is the real owner and possesses title to, or is entitled to, the possession of the establishment, and will conduct, operate, engage in and transact a home improvement business.

62-6-503.

(a) No county or municipality of this state may require that any person obtain an additional authorization or license to transact home improvement business in such county or city. Nothing contained herein prohibits counties, municipalities or metropolitan governments from requiring licenses for persons performing plumbing work, electrical work or gas and mechanical work.

(b) A license issued pursuant to this part may not be construed to authorize the licensee to perform any particular type of work or kind of business which is reserved to qualified licensees under separate provisions of state or local law.

(c) Nothing in this part may be construed to limit or restrict the power of a municipality or county to regulate the quality, performance, or character of work of home improvement contractors, including a system of permits and inspections which are designed to secure compliance with and aid in the enforcement of applicable state and local building laws, or to enforce other laws necessary for the protection of the public health and safety. Nothing in this part limits the power of a municipality or county to adopt any system of permits requiring submission to and approval by the municipality or county of plans and specifications for an installation prior to the commencement of

construction of the installation or of inspection of work done; provided, that nothing in this section may be construed as authorizing a municipality or county to enact ordinances or regulations relating to the qualifications necessary to engage in the home improvement business. Nothing contained herein prohibits counties, municipalities or metropolitan governments from requiring licenses for persons performing plumbing work, electrical work or gas and mechanical work.

(d) Except for a permit for any home improvement work to be performed by the owner of property, a municipality or county may not issue a permit for any home improvement work unless the permit lists each contractor's home improvement license number.

(e) Any person subject to the provisions of this part who engages in construction or the home improvement business without a license shall, in any tort action arising out of such construction or home improvement business, be subject to the awarding of treble damages.

62-6-504.

(a) No license may be issued or become effective until the applicant pays all required fees as set by the board for licensing contractors. The annual license fee shall not exceed one hundred twenty-five dollars (\$125).

(b) The fee for issuing a duplicate license for one lost, destroyed or mutilated shall be set by the board.

(c) The fee for copies of documents on file in the commissioner's office is two dollars (\$2.00) per page.

62-6-505.

(a) No home improvement contractor's license may be required of any person when acting in the particular capacity or particular type of transaction set forth in this section:

(1) An individual who performs labor or services for a home improvement contractor or subcontractor, for wages or salary;

(2) A plumber, electrician, architect or any other such person who is required by state or local law to attain standards of competency or experience as a prerequisite to engaging in such craft or profession, and who is acting exclusively within the scope of the craft or profession for which such person is currently licensed pursuant to such other law. The installation of central heating or air-conditioning systems by such a person shall be deemed within the scope of such person's craft or profession;

(3) Any retail clerk, clerical employee, salesperson or other employee of a licensed home improvement contractor;

(4) Any residential or commercial contractor who holds a valid license issued pursuant to this chapter and is engaged in contracting within the terms and conditions of such license; or

(5) An interior designer performing services as set forth in § 62-6-501(5)(B)(vi).

(b) A homeowner may secure a permit without a state license to do any improvements on such homeowner's own properties. However, in so doing, the homeowner shall have no claim to the fund.

62-6-506.

(a) An application for an original license required by this part shall be in writing upon a form prescribed by the board. The board may seek from an applicant information

pertinent to the applicant's character, experience, financial stability, and other information deemed necessary in order to evaluate the applicant's qualifications to be licensed pursuant to this part.

(b) The applicant shall file with the board information that includes, but is not limited to:

(1) A complete statement of the general nature of the applicant's home improvement contracting business or the applicant's duties;

(2) If the applicant is an individual, the applicant's name and address; if a partnership, the names and addresses of all partners; if a joint venture, the names and addresses of the parties to it; if a corporation, the names and addresses of all officers;

(3) A record of the previous experience of the applicant in the field of home improvements or other construction work, including dates and addresses of where the applicant has resided and done business;

(4) Whether the applicant has ever been licensed in Tennessee or any other state, or has had a professional or a vocational license refused, suspended or revoked;

(5) Evidence of workers' compensation coverage pursuant to title 50, chapter 6, or submission to the board of a copy of the applicant's insurance policy or a certificate of insurance issued by the carrier or self-insurer to the applicant indicating the date and duration of such coverage;

(6) Whether, in the five (5) years prior to the date of application, the applicant had any judgment rendered against the applicant in actions arising out of the field of home improvements or other construction work;

(7) Whether the applicant presently has outstanding judgment(s) against the applicant in actions arising out of the field of home improvements or other construction work; and

(8) Whether the applicant is involved in pending litigation arising out of the field of home improvements or other construction work.

(c) The board shall prescribe and furnish appropriate forms in connection with the issuance, renewal or termination of licenses.

(d) Temporary licenses may be issued in accordance with rules or regulations adopted by the board, to any applicant for a license who files an application in proper form and pays all required fees. A temporary license shall automatically expire at the time the board either refuses to issue or grants a license, and shall be subject to termination at any time prior to action by the board.

(e) Unless revoked or suspended by the board, a license shall expire the last day of the twelfth month from issuance and may be annually renewed upon payment of all required fees and upon completion of a statement indicating all material changes from the original application for a license.

(f) Every licensee, within thirty (30) days after change of control in ownership, management, or a change of address or trade name, shall notify the board of the change.

(g) The board, at any time, may require:

(1) Reasonable information of an applicant or licensee; and

(2) The production of books and accounts and financial statements.

(h) An applicant for a home improvement contractor's license shall file with the board a cash, surety, or property bond or an irrevocable letter of credit in the amount of ten thousand dollars (\$10,000) for the benefit of any person who is damaged because of

the breach of the home improvement contract. Any person so damaged may sue directly on the bond without assignment thereof. The bond may not be construed to require any surety to be responsible for the completion of a home improvement contract entered into by the principal on the bond. The liability of the surety under any bond may not exceed in the aggregate the amount of the bond. If the bond ceases to be in effect, the home improvement contractor's license shall become invalid.

62-6-507.

(a) All licenses, except temporary licenses, shall expire the last day of the twelfth month from date of issuance.

(b) No license shall be assignable or transferable except as hereinafter provided.

A license to conduct a home improvement business issued to an individual may be assigned or transferred for the remainder of the license period to a partnership or stockholder of such corporation owning not less than twenty-five percent (25%) of the outstanding stock at the time of such assignment or transfer. A license issued to a partnership may be assigned or transferred for the remainder of the license period to any one (1) member of such partnership; provided, that such member obtains the consent of all of the other members of such partnership. The application for such transfer or assignment must be accompanied by proof satisfactory to the board that the requirements herein provided have been complied with. No assignment or transfer shall become effective unless and until the endorsement of the transfer or assignment has been made on the face of the license by the commissioner and such license, so endorsed, has been returned to the assignee or transferee. All such endorsements shall be made without payment of any fee.

(c) Any license, except a temporary license, which has not been suspended or revoked, may, upon the payment of the renewal fee prescribed by this part, be renewed

for an additional period of twelve (12) months from its expiration, upon the filing of an application for such renewal, on a form to be prescribed by the board. The form shall include a statement to be completed by the applicant indicating all material changes from the original application for a license. A penalty fee of ten dollars (\$10.00) per month, not to exceed thirty dollars (\$30.00), will be assessed on any renewal application postmarked after the date of expiration. No renewal application will be accepted more than ninety (90) days after the expiration of the license.

(d) A duplicate license may be issued for one lost, destroyed or mutilated upon application therefore on a form prescribed by the board and the payment of the fee prescribed by this part. Each such duplicate license shall have the word "duplicate" stamped across the face thereof and shall bear the same number as the one it replaces.

62-6-508.

(a) Every home improvement contract shall:

(1) Be in legible writing and contain the complete agreement between the owner and the home improvement contractor;

(2) State the full names and addresses of all parties, the license number of the home improvement contractor, the date when executed by the parties and contain a description of the work to be done and the goods to be used;

(3) Be completed in full without any blank spaces to be filled in after the contract is signed by the owner and clearly describe any other documents which are to be incorporated, and shall contain the following notice directly above the space provided for the signature of the owner:

"NOTICE TO OWNER: Do not sign this contract if blank. You are entitled to a copy of the contract at the time you sign";

(4) Contain the approximate dates when the work will begin and be substantially completed;

(5) Contain the agreed upon consideration for the work;

(6) Contain a notice that all home improvement contractors must be licensed by the board and that any inquiries about a contractor should be transmitted to the board's office;

(7) Contain all other matters upon which the parties lawfully agree; and

(8) Not contain any power of attorney to confess judgment.

(b) No sales person, agent or employee of the home improvement contractor shall be authorized to make any changes in the agreement on behalf of the owner.

(c) Contracts which fail to comply with the requirements of this section shall not be invalid solely because of noncompliance.

62-6-509.

(a) The board may refuse to issue or renew, or suspend or revoke a license hereunder if it finds that the applicant or licensee:

(1) Has made a material omission or misrepresentation of fact on an application for a license;

(2) Has failed to furnish information to the board concerning an application for a license as required by this part;

(3) Lacks competence to engage in the home improvement business, as evidenced by work performed in a poor and unworkmanlike manner, or when the work involved is inadequate or incomplete;

(4) Has been convicted of a felony, is untrustworthy or not of good character;

(5) Has consistently failed to perform contracts, has manipulated assets or accounts, or has engaged in fraud or bad faith; or

(6) Has violated any provision of this part or is performing or attempting to perform any act prohibited by this part.

(b) In addition to or in lieu of any lawful action taken under subsection (a), the board may assess a civil penalty of not more than five hundred dollars (\$500) for each violation of any provision of this part. In determining whether to impose a civil penalty, the board shall consider the seriousness of the violation, the deleterious effect of the violation, any good faith on the part of the violator, and the violator's history of previous violations.

(c) Notwithstanding the provisions of the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, relative to the amount of civil penalties that may be imposed, the commission may impose a civil penalty not to exceed one thousand dollars (\$1,000) against any person who engages in unlicensed home improvement contracting.

62-6-510. The following acts are prohibited:

(1) Abandonment or willful failure to perform, without justification, any home improvement contract or project engaged in or undertaken by a contractor; or willful deviation from or disregard of plans or specifications in any material respect without the consent of the owners;

(2) Making any substantial misrepresentation in the procurement of a home improvement contract, or making any false promise of character likely to influence, persuade or induce;

(3) Any fraud in the execution of, or in the material alteration of, any contract, mortgage, promissory note or other document incident to a home improvement transaction;

(4) Preparing or accepting any mortgage, promissory note, or other evidence of indebtedness upon the obligations of a home improvement transaction with knowledge that it recites a greater monetary obligation than the agreed consideration for the home improvement work;

(5) Willful or deliberate disregard and violation of the building, sanitary and health laws of this state or of any political subdivision thereof, or of the safety, labor, or workers' compensation insurance laws of this state;

(6) Misrepresentation of a material fact by an applicant in obtaining or attempting to obtain a license;

(7) Failure to notify the board of any change of control in ownership, management or business name or location;

(8) Conducting a home improvement business in any name other than the one in which the contractor is licensed;

(9) Advertising in any manner that a licensee is licensed pursuant to this part unless the advertisement includes an accurate reference to the appropriate current license number consisting of and limited to a form as prescribed by the board;

(10) Failure to comply with any order, demand or requirement lawfully made by the board pursuant to and within the authority of this part;

(11) The demand for or the receipt of any payments prior to the signing of a home improvement contract;

(12) Receipt at or before the time of execution of a contract of a deposit of more than one third (1/3) of the contract price, unless:

(A) The home improvement contract allows for the home improvement contractor to furnish a performance and payment bond, lien and completion bond, or bond equivalent covering full performance and completion of the home

improvement contract and the bond is furnished by the home improvement contractor; provided, that the amount of the bond or bond equivalent is not less than one percent (1%) of the net sales of the home improvement contractor's home improvement business with respect to the home improvement labor to be determined on an annual basis at January 1 of each year; or

(B) After being fully advised by contractor in writing of the right to withhold final payment up to one hundred percent (100%) of payment before completion of the project, the owner elects to make final payment to the home improvement contractor for the project before completion for such owner's convenience or the parties agree on a schedule of payments to be made before, during and after completion of the project;

(13) Failure to obtain the necessary permits as required by any local jurisdiction;

(14) Making false or deceptive representations in any advertisement or solicitation for services or products that such services or products have sponsorship, approval, affiliation or connection with a bank, savings and loan association, savings bank or subsidiary or affiliate thereof;

(15) Using the name or logo of any bank, savings and loan association, savings bank or subsidiary or affiliate thereof, without the express written consent of the person whose name is used; and

(16)

(A)(i) Having a controlling ownership interest in the lender providing a mortgage loan for home improvement for the work being performed by the home improvement contractor;

(ii) Accepting anything of value for the referral of a borrower to the lender; or

(iii) Being a cosigner or acting as a guarantor for a mortgage loan for home improvement.

(B) As used in this subdivision (16), "mortgage loan for home improvement" shall have the same meaning as defined in § 45-13-123(c).

62-6-511. Any person who accepts or receives a completion certificate or other evidence that performance of a home improvement contract is complete or satisfactorily concluded, with knowledge that such document is false and that the performance is not completed, or who utters, offers or uses such document in connection with the making or accepting of any assignment or negotiation of the right to receive any payment from the owner, under or in connection with a home improvement contract, or for the purpose of obtaining or granting any credit or loan on the security of the right to receive any payment, as aforementioned, knowing or having good reason to know such document to be false, commits a Class A misdemeanor.

62-6-512. Any person who owns, operates, conducts a home improvement business or procures a home improvement contract without a license pursuant to this part, or who violates any of the provisions of this part, or having had such license suspended or revoked continues to engage in such business, commits a Class A misdemeanor. Each violation is deemed a separate offense.

62-6-513. In addition to the powers and duties elsewhere prescribed in this part, the commissioner may:

- (1) Appoint an adequate number of assistants, inspectors and other employees as may be necessary to carry out the provisions of this part, prescribe their duties, and fix their compensation within the amount appropriated therefore;
- (2) Examine the qualifications and fitness of applicants for licenses under this chapter;

(3) Keep records of all licenses issued, suspended or revoked. These records shall be open to the public for inspection during regular business hours;

(4) Adopt, with the advice and approval of the board, such rules and regulations not inconsistent with the provisions of this part, as may be necessary with respect to the form and content of applications for licenses, the reception thereof, the investigation and examination of applicants and their qualifications, and the other matters incidental or appropriate to the board's powers and duties as prescribed by this part and for the proper administration and enforcement of the provisions of this part, and to amend or repeal any of such rules and regulations; and

(5) Receive complaints from the public regarding home improvement contractors, and maintain records of such complaints.

62-6-514. The board, if it concludes that any continuing conduct by any person alleged to be in violation of this part may result in substantial or irreparable harm to any citizen of this state, may seek a permanent or temporary injunction with respect to the conduct from the circuit or chancery court of any county in which the alleged violation is occurring, or in which the violator has its principal place of business.

62-6-515. The provisions of the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, govern all matters and procedures respecting the hearing and judicial review of any contested case, as defined therein, arising pursuant to this part.

62-6-516. The provisions of this chapter do not apply to the official transactions of an authorized representative of the United States, or an instrumentality thereof, of any state or territory of the United States, any municipality or county thereof, or any instrumentality of a state or a political subdivision thereof.

62-6-517. The executive director of the board, acting on behalf of the board, is authorized to issue citations against persons acting in the capacity of or engaging in the

business of home improvement without a license in violation of this part. Each citation shall be in writing and shall describe with particularity the basis of the citation. Each citation shall contain an order to cease all violations of this part and an assessment of a civil penalty in an amount not less than fifty dollars (\$50.00) nor more than two hundred fifty dollars (\$250). The board shall promulgate rules and regulations to specify those conditions necessary to the issuance of a citation, and the range of penalties for violations of this chapter. The sanctions authorized by this part are in addition to any other remedies, civil and criminal, available to any person harmed by a violation of this part. Service of a citation issued pursuant to this section may be made by certified mail at the last known business address or residence address of the person cited. A citation issued pursuant to this section shall be issued by the executive director within one (1) year after the act or omission which is the basis for the citation. Any person served with a citation pursuant to this section may appeal to the executive director by written notice postmarked within fifteen (15) working days after service of the citation with respect to violations alleged, scope of the order, or amount of civil penalty assessed. If a person cited timely notifies the executive director that such person intends to contest the citation, the executive director shall afford an opportunity for a contested case hearing pursuant to the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, part 3. After all administrative appeals have been exhausted, the executive director may apply to the appropriate court for a judgment in an amount of the civil penalty, plus applicable court costs and for an order to cease activities in violation of this part. The motion for the order, which shall include a certified copy of the final order of the hearing officer or administrative judge, shall constitute a sufficient showing to warrant the issuance of the judgment and order.

Notwithstanding any other provision of law to the contrary, the executive director may waive part of the civil penalty if the person against whom the civil penalty is assessed satisfactorily completes all the requirements for, and is issued, a license as a home improvement contractor.

Any outstanding injury to the public shall be settled satisfactorily before a license as a home improvement contractor is issued. The provisions of § 62-6-509(c) and of this section do not apply to the construction, repair or replacement of detached permanent structures designed for the storage of tools, farm implements, lawn care machinery, bulk products and other such items.

62-6-518.

(a) The board is authorized to impose a civil penalty in an amount not to exceed twenty-five thousand dollars (\$25,000) per violation for a violation of § 62-6-510(3), (4) or (14) after notice and an opportunity for a hearing. Such penalty shall be in addition to any other penalty authorized pursuant to this part.

(b) In addition to the civil penalty authorized pursuant to subsection (a), a violation of § 62-6-510(3), (4) or (14) shall be construed to constitute an unfair or deceptive act or practice affecting the conduct of trade or commerce under the Tennessee Consumer Protection Act, compiled in title 47, chapter 18, and as such the private right of action remedy under such act shall be available to any person who suffers an ascertainable loss of money or property, real, personal, or mixed, or any other article, commodity, or thing of value wherever situated as a result of such violation.

62-6-519.

On the effective date of this part, the existing staff of the home improvement commission shall be transferred to the state board for licensing contractors.

62-6-520.

(a) There is established a subcommittee whose focus shall be related to issues concerning home improvement contractors. The subcommittee shall act as an advisory committee concerning home improvement contractors and report all findings and recommendations concerning licensure and disciplinary actions relative to home

improvement contractors to the board; provided that all final decisions concerning such actions shall be decided by the board.

(b) All current members of the home improvement commission appointed pursuant to § 62-37-116 on or before the effective date of this part shall serve as the initial subcommittee and such members shall serve until the term of the most recent appointee expires. The terms of every other member of the commission shall be extended to coincide with the expiration of the term of the most recent appointee. At the expiration of such terms, the subcommittee as constituted pursuant to this subsection (b) shall cease to exist, and the board shall appoint a new subcommittee of board members to focus on issues relating to home improvement contractors.

(c) The members of the subcommittee shall receive the same amount of compensation and reimbursement as received by board members for each day actually spent in the performance of their official duties.

(d) All issues concerning home improvement contractors shall be heard by the subcommittee which shall, pursuant to subsection (a), report its findings and recommendations to the board for final disposition and action by the board concerning such findings and recommendations.

62-6-521.

(a) In addition to the appointment of a subcommittee established pursuant to § 62-6-520, the board shall appoint two (2) additional subcommittees in accordance with the following:

(1) A subcommittee of board members whose focus shall be related to issues concerning home builders; and

(2) A subcommittee of board members whose focus shall be related to general contractor issues dealing with commercial construction, including electrical, mechanical, plumbing and heating, ventilation and air conditioning.

(b) Each such subcommittee shall act as an advisory committee concerning their respective areas pursuant to subsection (a) and shall report its findings and recommendations concerning licensure and disciplinary actions and other substantive issues to the board; provided that all final decisions concerning such actions shall be decided by the board.

(c) The members of the subcommittee shall receive the same amount of compensation and reimbursement as they would receive for performing their duties as board members for each day actually spent in the performance of their official duties.

SECTION 3. This act shall take effect July 1, 2007, the public welfare requiring it.